

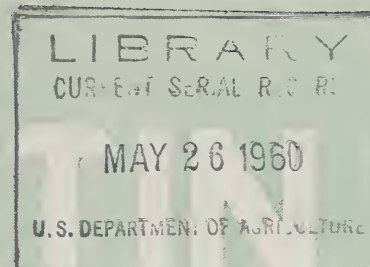
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Market Administrator's

BULLETIN



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MARKET ADMINISTRATOR

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Enforcement Procedures Under Federal Milk Orders

Excerpts from a talk by H. L. Forest, Director, Dairy Division, at annual meeting of Federated Milk Producers Association at Salt Lake City, Utah, March 16, 1960.

Since Federal milk orders are legally binding on regulated persons, a system of enforcement procedures is necessary to assure that orders are carried out as written and as they are intended to be written under the statutory authority.

The first important step in the enforcement procedure is required reporting by handlers of the information necessary to determine whether they have made payments for milk in accordance with the terms of the Federal milk order. The market administrator in each local area contacts handlers and supplies them with forms on which to report their receipts and disposition of milk and the payments they make to milk producers. Of course, he employs a staff to assist him in his administrative functions.

When the handlers reports are received by the market administrator, they are checked immediately to see whether the information is complete enough to determine each handler's obligation and to correct any obvious errors or misinterpretations of instructions. On the basis of this reported information, the market administrator computes the blended price. Payments are made in accordance with the order terms based on this reported information.

Then the market administrator sends his staff to audit the books and records of the handler. The audit program for verification of classification and payments for milk required under a Federal milk order includes both a check of the volume and butterfat content of all milk products moving through a milk plant and an examination of financial transactions. The auditor checks the payments made to producers, to other handlers, and to suppliers of various ingredients which may be mixed with dairy products. He examines the records of sales to verify the reported figures. When corrections are necessary the market administrator then prepares revised billings showing the handler's obligation as audited.

Since Federal milk orders place a financial obligation on regulated handlers, it is important that they be assured of an equitable procedure for review of matters which they may dispute. If a handler believes he has been billed incorrectly, he may file a petition with the Secretary of Agriculture asking that the market administrator's decision be reversed. This is known as a 15A petition from the number of the section of the Agricultural Marketing Agreement Act which authorizes such petitions.

The uniform pattern of prices which a Federal milk order establishes is the feature which promotes market stability. Class prices which handlers are required to pay must be uniform to all handlers. Differentials for butterfat content and location of the milk are a part of the uniform price system. Minimum blended prices which producers receive must also be uniform, either on a market-wide basis or for all producers delivering milk to a single handler under an individual handler pool order.

This rule of uniformity in the price structure is absolute and leaves no opportunity for administrative discretion. The inflexibility of this rule may appear onerous at times, but there can be little doubt that it has been a wise rule in the development of a lasting program.

The prohibition against restriction of market entry and the price level standard are a set of rules that work together. Prices must be set at levels which will obtain an adequate supply and the supply can not be restricted. This combination assures the price plan's adaptation to new conditions of supply and demand. Since free movement of milk supplies is required under a Federal milk order, each market tends to receive its supply from the area where it can be acquired most efficiently.

(continued on the back page)



Columbus

MARKET FACTS FOR EASY REFERENCE

PRICE SUMMARY

Producers' Uniform Price (3.5%)	
Producers' Uniform Price (4%)	
Class I (3.5%)	
Class II (3.5%)	
Class III (3.5%)	
Class IV (3.5%)	
Producer Butterfat Differential for each 1/10%	

March 1960	Feb. 1960	March 1959
\$4.24	\$4.28	\$4.28
4.61	4.66	4.64
4.419	4.508	4.394
4.019	4.108	3.994
3.697	3.742	3.894
2.981	2.993	2.871
.074	.076	.072

UTILIZATION SUMMARY

Percent of Producer Milk in Class I	
" " " B.F. " " I	
" " " Milk " " II	
" " " B.F. " " II	
" " " Milk " " III	
" " " B.F. " " III	
" " " Milk " " IV	
" " " B.F. " " IV	

82.5	80.9	85.2
75.4	74.9	82.3
8.6	7.2	10.2
2.6	2.1	3.1
2.2	2.2	1.2
3.1	3.1	3.3
6.7	9.7	3.4
18.9	19.9	11.3

PRODUCTION SUMMARY

Total Pounds of Producer Milk Delivered	
Average Daily Class I Producer Milk	
Total Number of Producers	
Average Daily Production per Producer	
Average Butterfat Test	
Total Value of Producer Milk at Test	
Income per Producer (7 Day Average)	

28,724,747	27,057,916	24,683,556
763,433	754,873	678,507
1,704	1,703	1,687
544	548	472
3.98	3.93	3.81
\$1,317,732.31	\$1,244,615.52	\$1,111,665.19
\$174.62	\$176.41	\$148.80

GROSS CLASS USE (Pounds)

Class I Skim	
" I B.F.	
" I Milk	
" II Skim	
" II B.F.	
" II Milk	

22,805,241	21,095,114	20,261,013
861,184	796,194	772,713
23,666,425	21,891,308	21,033,726
2,574,399	1,965,777	2,610,592
29,922	22,827	29,171
2,604,321	1,988,604	2,639,763

AVERAGE DAILY SALES (Quarts)

Milk	
Buttermilk	
Chocolate	
Skim	
Cream	

305,470	305,249	266,078
5,069	5,188	4,977
18,101	15,690	13,740
12,659	12,505	10,800
8,746	8,765	7,935

COMPARATIVE STATISTICS



COLUMBUS MARKETING AREA



Mar., 1951-60

Year	Receipts from Producers	Average Butter-fat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1951.....	18 199,660	4.04	75.5	21.8	2.7	—	4.81	4.975	3.576	3.387	—	2,136	275
1952.....	18,411,883	4.03	78.5	17.6	3.9	—	4.89	5.038	4.638	3.857	—	2,111	281
1953.....	22,331,834	3.98	72.0	20.0	8.0	—	4.47	4.676	4.276	3.599	—	2,237	322
1954.....	24,837,916	3.97	69.0	14.9	16.1	—	4.06	4.303	3.903	3.427	—	2,214	362
1955.....	24,673,521	3.88	73.4	9.6	8.3	8.7	4.00	4.228	3.828	3.828	3.152	2,110	377
1956.....	26,122,629	3.85	73.1	10.8	8.0	8.1	3.97	4.20	3.80	3.80	3.124	2,069	407
1957.....	24,561,765	3.77	83.6	10.8	2.8	2.8	4.46	4.566	4.166	4.066	3.063	1,918	413
1958.....	25,204,863	3.78	80.9	10.1	3.9	5.1	4.34	4.493	4.093	3.993	3.070	1,833	444
1959.....	24,683,556	3.81	85.2	10.2	1.2	3.4	4.28	4.394	3.994	3.894	2.871	1,687	472
1960.....	28,724,747	3.98	82.5	8.6	2.2	6.7	4.24	4.419	4.019	3.697	2.981	1,704	544

Number of Milk Cows Declined Further in 1959

Until the mid-1940's, the number of milk cows on farms in the United State displayed some cyclical aspects, associated in part with cyclical changes in number of beef cattle on farms. In the past 15 years, however, the number of milk cows has declined every year except 1953.

The number of milk cows on farms, and the level of total milk production, reflects the net influence of a whole complex of factors. One factor is the price of milk relative to prices of feed used for dairy cows and to other livestock products that are competitive with dairy farming. Over the past 10 to 20 years, a significant decline in demand has occurred for milk-fat. Nevertheless, with the price support operations by the Government since World War II, prices for milk over most of the last decade have been favorable, compared with prices for feed. But, except for a few years during the past decade, prices received by farmers for milk compared with prices for beef cattle have been below the long-time average. As real incomes of consumers have risen, demand for beef has tended to expand relative to other livestock products. Over the long-term, resources have been transferred from the production of milk to the production of beef cattle.

Farmers continuing to produce milk have tended to increase the average size of their dairy herds, but the number of farms which keep milk cows has been falling so rapidly that the total number of milk cows on farms has declined. Aside from the incentive which production of beef cattle offers — favorable rates of return, together with less exacting labor require-

ments — the improvements in dairy farm technology have made it possible and advantageous for dairy farmers to expand their operations. The rate of decline in number of milk cows has been accelerated or slowed, depending upon short-term changes in price relationships affecting milk production. Of these, the milk-beef price relationship has been the more predominant, particularly in the years when the ratio deviated widely from normal. The slight rise in number of milk cows and large expansion of milk output in 1953 followed a period in which milk prices, though declining showed a less abrupt drop than did the price of beef cattle. In 1958 and 1959, the price of milk was relatively stable, but beef cattle prices rose to the highest level in several years. This together with some slight drought conditions interrupted the uptrend in milk output — in fact, caused a slight reduction in both those years.

The 21.3 million head of milk cows and heifers of milking age on farms January 1, 1960, was under that of a year earlier by only 0.7 percent, the smallest decline since the increase recorded in 1953. The number of milk cows on farms January 1 was the smallest of record going back 40 years and 23 percent below the record high set January 1, 1945. This has been more than offset by increases in milk production per cow.

That farmers are more optimistic concerning the immediate future for dairy farming, whether in an absolute sense or relative to other enterprises, is indicated by several developments. The price for milk cows has been unusually stable as

compared with the carcass value of such animals. In the winters of 1957-58 and 1958-59, the prices received by farmers for milk cows made practically no seasonal decline, reflecting in part the absence of a seasonal reduction in the carcass value of such animals. However, by December 1959, as indicated by the price of cutters and canners at Chicago, the carcass value declined to a point 25 percent under both July 1959 and December 1958, the largest decline since the second half of 1952. Nevertheless, the price paid by farmers for milk cows showed comparatively little change. This indicated that farmers had increased their estimate of the value of dairy animals for producing milk enough to offset the reduction in the carcass value.

Another indication of renewed confidence of the future among dairymen and probably a portent of an increase in milk production within the next two years, is the increase in number of young dairy stock. As of January 1, 1960, for the United States as a whole, the number of heifers 1 to 2 years old was 3 percent greater than a year earlier, and the number of heifers under 1 year was 4 percent greater. Relative to the number of mature cows on hand, both categories were at an all-time record high. Both age-groups were above a year earlier in all regions except the 1-2 year old heifers for the West North Central States. The fact that the number of young dairy stock is now a record high relative to number of mature cows does not make it certain that number of mature cows will show an increase by January 1961.

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BE STRONGER
LIVE LONGER
DRINK MILK

Enforcement Procedures . . .

(continued from page one)

Keeping in mind these basic rules, the price plan for each market is developed individually. This is not to mean an order for each new area is invented in a vacuum. Obviously, markets in the same general region often have the same general characteristics. More than likely, an order used in a nearby market can be modified in certain respects and will fit a new area. Certainly the price plan will have to correlate with that in nearby markets. Rules regarding who is regulated and who is a producer have to be set up so that we do not have two orders regulating the same person and requiring him to make unreasonable payments.

Market Quotations

Mar.
1960

12 MIDWEST CONDENSERIES 3.5% per Cwt.	\$3.095
5 CONDENSERIES (Cincinnati) 3.5% per Cwt.	2.9570
5 CONDENSERIES (North Central Ohio) 3.5% per Cwt.	2.955
2 CONDENSERIES (Toledo) 3.5% per Cwt.	2.875
4 CONDENSERIES (Tri-State) 3.5% per Cwt.	3.000
Evaporated Milk Code Price, 3.5% per Cwt.	2.803
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Cincinnati)	3.0535
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus)	3.031
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Dayton)	3.055
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Toledo-Tri-State)	2.929
Average Weekly Cheddars price per lb.	.3475
Average price per lb. non-fat dry milk solids, roller process delivered Chicago	.1380
Average price per lb. 92-score butter at Chicago	.57970
Average carlot prices non-fat dry milk solids, roller and spray process, f.o.b. manufacturing plant	.1307

In this search for uniformity of decisions, however, it is important to keep in mind that uniformity in the application of a given provision may not necessarily give uniform results. Milk markets are differently constituted. A provision which produces a desirable result in one area may prove entirely unsuitable in another area. In order to be assured that we are treating all interests fairly in the application of Federal milk orders, we must keep in mind the pattern of uniform objectives which are sought.

In developing and maintaining this uniformity of objectives, we find the burden of appraisal and responsibility for decision is centering more and more at the administrative level in Washington. This is probably a natural consequence of the growth of milk markets, the expansion of Federal

orders, and the appraisal of inter-order problems which can be accomplished only with a broad point of view. This centralization of responsibility at Washington, however presents a problem of its own. However, at public hearings on individual market questions we have the opportunity of observing the counter viewpoints and the facts developed from different points of view. This exchange of views has been an invaluable aid in making administrative decisions on the basis of complete knowledge concerning the market situation and its effect on all parties.

We need the most complete and most reliable information about each local market in order to reach decisions which are fair to all and which will promote the economic development of milk markets. That information must be reported at the

public hearings which precede Federal milk order actions.

The Federal milk order program is large and it is growing. Orders are operating in 79 markets today and establishing minimum prices on more than 40 billion pounds of milk annually. About two-thirds of the milk sold for fluid consumption is distributed by handlers regulated under these orders. Marketing problems are becoming more complex as intermarket relationships become more involved. Government responsibilities for decisions are grave in the light of such far-reaching consequences. In the future, as in the past, however, these Government responsibilities will be successfully shouldered only with the vigorous and skillful assistance of the farmer cooperative associations which support the program.